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DEPT. OF TRANSPORTATION  
ACCOUNTS

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## FAA STAFF QUESTIONS ON THE NEW ORLEANS LAKEFRONT AIRPORT FINAL APPLICATION

### I. Parties to the Transaction

8. **Lease agreement, page 134, Article 38, Letter of Credit.** The private operator is obligated to deliver a \$1 million letter of credit to the public sponsor as security for payment and performance under the lease. Please explain the source of the \$1 million letter of credit, the form of the credit (i.e., cash securities, etc.), and where the letter of credit will be held. Explain whether the letter of credit would be available for the sponsor in the event of termination by the private operator under Lease Article 2.5.

**Follow-up question:** The applicant's response indicated that the US Bank determined that there was sufficient collateral to issue a letter of credit. What does the bank consider to be the source of this collateral?

### IV. Qualifications of Private Operator

11. **Lease Agreement, Articles 10 and 15.** The lease references a continuing role for Orleans Levee Board as public sponsor for the application and receipt of Airport Improvement Program grant funds. While the Board continues to be obligated for certain assurances, the airport privatization pilot program assumes that AAL will become the airport sponsor and the FAA's primary contact for the receipt of Federal financial assistance. Please clarify the purpose of these provisions.

**Follow-up Question:** Both the lease and applicant's response continue to reference the Orleans Levee Board as public sponsor and AAL as the public sponsor's resident agent. There still appears to be a fundamental difference between the public sponsor's desire to retain control and the goals of the airport privatization pilot program.

As indicated in the application procedures 62 FR 48694, "*the FAA expects that applications will include a statement that the new owner/operator will assume the obligations of the original sponsor under existing grant agreements or deeds*". Participation in the program would require that the lease be revised to reflect the private operator's role as sponsor and not resident agent.

### VI. Airport Operation and Development

25. **Lease Agreement, page 77.** The lease permits the public sponsor to mortgage the airport property or impose a lien or security interest on the property. Please explain the purpose for including this provision; it appears to be contradictory to the purpose of Airport Privatization Pilot Program.

**Follow-up Question:** In your response, you reference Article 28 of the Stewart Airport lease that implies the airport owner's ability to mortgage the property. Since Stewart is a Federal Surplus Property airport, FAA approval is still required. New Orleans Lakefront is not a Federal Surplus Property airport. Please explain how the FAA's interest in carrying out Grant Assurance No. 5.b. (prohibiting a sponsor from selling, leasing, or otherwise transferring any part of its title or other interests in the airport property subject to the grant assurances, for the duration of the grant agreement, without approval of the Secretary) is protected.